

**TOWNSHIP OF MARENISCO
GOGEBIC COUNTY
FINANCIAL REPORT
With Supplemental Information**

March 31, 2006

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Marenisco Township		County Gogebic
Audit Date 3/31/2006	Opinion Date 9/28/2006	Date Accountant Report Submitted to State: 10/26/06		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☒ yes ☐ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ yes ☐ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA			
Street Address 1445 East Cloverland Drive	City Ironwood	State MI	ZIP 49938
Accountant Signature 			

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**Supplemental Reports -
Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

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Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Marenisco Township
Marenisco, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Marenisco Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.


We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Marenisco Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 28, 2006, on our consideration of Marenisco Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 6 through 12, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Marenisco Township's basic financial statements. The accompanying "Other Financial Information" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
September 28, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MARENISCO

Year ended March 31, 2006

Management's Discussion and Analysis

This section of the Township of Marenisco's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2006. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2006.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. These new statement that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by Federal and State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MARENISCO

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains four governmental funds. Information is presented separately in the government fund balance sheets and governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Fire Fund and Ambulance Funds (considered major funds) and the Township's Special Revenue Funds – Building Permit Fund and Liquor Fund (considered non-major funds). The Township adopts an annual budget for the general fund and not the other major funds and several Special Revenue Funds (non-major funds). To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplemental Information" section of this report. Budgetary comparisons for other individual funds are presented under the "Other Financial Information" section of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MARENISCO**

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has two proprietary fund types- enterprise funds. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Funds is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund and Pension Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following is a condensed statement of net assets with a detailed analysis of the statement below as of March 31, 2006 and 2005.

	<u>March 31, 2006</u>		
	Primary Government		
	Governmental	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$292,920	\$261,437	\$554,357
Other assets	459,247	46,917	506,164
Non-current Assets			
Restricted cash	103,226	87,400	190,626
Capital Assets, net	760,281	2,284,103	3,044,384

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MARENISCO

	Primary Government		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities	\$366,778	\$107,373	\$474,151
Non-current Liabilities	34,397	801,940	836,337
TOTAL LIABILITIES	<u>\$401,175</u>	<u>\$909,313</u>	<u>\$1,310,488</u>
NET ASSETS			
Investment in capital assets net of related debt	\$432,416	\$1,457,936	\$1,890,352
Restricted	194,940		194,940
Unrestricted	587,143	312,608	899,751
Total Net Assets	<u>\$1,214,499</u>	<u>\$1,770,544</u>	<u>\$2,985,043</u>

For governmental activities, net assets increased by \$310,843 during the fiscal year. For business-type activities, net assets decreased by \$45,676 during the year.

March 31, 2005

	Primary Government		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and other assets	\$89,082	\$177,523	\$266,605
Other assets	351,353	52,043	403,396
Non-current Assets			
Restricted cash	145,606	87,400	233,006
Capital Assets, net	434,829	2,366,180	2,801,009
TOTAL ASSETS	<u>\$1,020,870</u>	<u>\$2,683,146</u>	<u>\$3,704,016</u>
LIABILITIES			
Current Liabilities	\$64,696	\$49,986	\$114,682
Non-current Liabilities	52,518	816,940	869,458
TOTAL LIABILITIES	<u>\$117,214</u>	<u>\$866,926</u>	<u>\$984,140</u>
NET ASSETS			
Investment in capital assets net of related debt	\$370,432	\$1,538,926	\$1,909,358
Restricted	207,567		207,567
Unrestricted	325,657	277,294	602,951
Total Net Assets	<u>\$903,656</u>	<u>\$1,816,220</u>	<u>\$2,719,876</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MARENISCO**

Results of Operations

The results of operations for Marenisco Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for both governmental and business-type activities. The following is a condensed statement of activities for the years ended March 31, 2006 and 2005.

		<u>March 31, 2006</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
REVENUES:			
Program Revenues:			
Charges for services	\$114,751	\$149,729	\$264,480
General Revenue:			
Property taxes	317,552		317,552
State and federal grants	334,699		334,699
Other	61,034	5,321	66,355
Total Revenue	\$828,036	\$155,050	\$983,086
EXPENSES:			
Program Expenses:			
Governmental activities	\$517,193		\$517,193
Business-type activities		\$200,726	200,726
Total Expenses	\$517,193	\$200,726	\$717,919
 Increase (Decrease) in Net Assets	 \$310,843	 (\$45,676)	 \$265,167
Net Assets, Beginning of Year	903,656	1,816,220	2,719,876
Net Assets, End of Year	\$1,214,499	\$1,770,544	\$2,985,043

		<u>March 31, 2005</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
REVENUES:			
Program Revenue:			
Charges for services	\$119,927	\$159,995	\$279,922
General Revenue:			
Property taxes	290,800		290,800
State and federal grants	78,274		78,274
Other	64,133	3,897	68,030
Total Revenue	\$553,134	\$163,892	\$717,026
EXPENSES:			
Program Expenses:			
Governmental activities	\$505,352		\$505,352
Business-type activities		\$200,042	200,042
Total Expenses	\$505,352	\$200,042	\$705,394
Increase (Decrease) in Net Assets	\$47,782	(\$36,150)	\$11,632
Net Assets, Beginning of Year	855,874	1,852,370	2,708,244
Net Assets, End of Year	\$903,656	\$1,816,220	\$2,719,876

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MARENISCO

Governmental Activities

Property taxes and other tax revenues comprise \$317,552 or approximately 38 percent of total governmental revenues. The Township also collected \$114,751 for services provided. And, at year end the Township reported \$334,699 in Federal and State Shared revenues.

The Township expended \$517,193 on governmental programs and services. Some of the largest expense categories were for general government and public safety where \$248,862 (48%) and \$141,842 (27%), respectively, were reported.

Business-Type Activities

Business-type activities decreased the Township's net assets by \$45,676. Charges for services for water and sewer activities for the year were \$149,729 and expenditures amounted to \$200,726.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental funds reported combined ending fund balances of \$523,194 of which \$194,940 is reserved and the remaining \$328,254 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with revenue 11% greater than the budget and expenditures 2% exceeded the amount budgeted.. Significant positive revenue variances were recorded for current year property tax revenues.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MARENISCO

Unrestricted net assets of the Water and Sewer Funds as of March 31, 2006 were \$128,292 and \$184,316 respectively.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2006 was \$3,044,384.

Major capital expenditures for governmental funds were for Township's fire equipment, road improvements and a police vehicle.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of Marenisco
314 Hall Street
Marenisco, MI

**TOWNSHIP OF MARENISCO
STATEMENT OF NET ASSETS**

March 31, 2006

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$292,920	\$261,437	\$554,357
Accounts receivable-net	304,618	24,549	329,167
Delinquent taxes receivable	14,534		14,534
Due from other funds	125,266	10,298	135,564
Accrued interest income	354	514	868
Deferred charges	14,475	6,110	20,585
Inventory (at cost)		5,446	5,446
TOTAL CURRENT ASSETS	\$752,167	\$308,354	\$1,060,521
RESTRICTED ASSETS:			
Restricted cash	103,226	87,400	190,626
NON-CURRENT ASSETS:			
Capital assets	1,722,680	3,891,359	5,614,039
Accumulated depreciation	(962,399)	(1,616,483)	(2,578,882)
Loan acquisition costs-net		9,227	9,227
TOTAL NON-CURRENT ASSETS	760,281	2,284,103	3,044,384
TOTAL ASSETS	\$1,615,674	\$2,679,857	\$4,295,531
LIABILITIES			
Current Liabilities:			
Accounts payable	\$316,936	\$9,122	\$326,058
Accrued wages/taxes	15,263	330	15,593
Accrued interest payable		2,117	2,117
Due to other funds		70,613	70,613
Customer deposits		10,191	10,191
Current maturity on long-term debt	34,579	15,000	49,579
TOTAL CURRENT LIABILITIES	\$366,778	\$107,373	\$474,151
NON-CURRENT LIABILITIES			
Bonds payable		816,940	816,940
Loans /leases payable	63,703		63,703
Accrued compensated absences	5,273		5,273
Current maturity on long-term debt	(34,579)	(15,000)	(49,579)
TOTAL NON-CURRENT LIABILITIES	34,397	801,940	836,337
TOTAL LIABILITIES	\$401,175	\$909,313	\$1,310,488
NET ASSETS			
Investment in capital assets, net of related debt	\$432,416	\$1,457,936	\$1,890,352
Reserved	194,940		194,940
Unreserved	587,143	312,608	899,751
TOTAL NET ASSETS	\$1,214,499	\$1,770,544	\$2,985,043
TOTAL LIABILITIES AND NET ASSETS	\$1,615,674	\$2,679,857	\$4,295,531

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) <u>Revenue</u>
Governmental Activities			
General government	\$248,865	\$15,717	(\$233,148)
Public safety	141,842	71,203	(70,639)
Public works	27,831	27,831	
Recreation and culture	11,673		(11,673)
Other	86,982		(86,982)
Total Governmental Activities	<u>\$517,193</u>	<u>\$114,751</u>	<u>(\$402,442)</u>
Business-type Activities			
Sewer	\$200,726	\$149,729	(\$50,997)
Total Business – type Activities	<u>\$200,726</u>	<u>\$149,729</u>	<u>(\$50,997)</u>
Total	<u>\$717,919</u>	<u>\$264,480</u>	<u>(\$453,439)</u>

Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$402,442)	(\$50,997)	(\$453,439)
General Revenues:			
Property taxes	317,552		317,552
Federal shared revenues	249,381		249,381
State-Shared revenues	85,318		85,318
Investment income	4,720	5,321	10,041
Other	56,314		56,314
Total General Revenues and Transfers	<u>\$713,285</u>	<u>\$5,321</u>	<u>\$718,606</u>
Changes in Net Assets	\$310,843	(\$45,676)	\$265,167
Net Assets at Beginning of Year	903,656	1,816,220	2,719,876
Net Assets at End of Year	<u>\$1,214,499</u>	<u>\$1,770,544</u>	<u>\$2,985,043</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2006

	<u>General</u>	<u>Fire Funds</u>	<u>Ambulance</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$218,370	\$63,199	\$11,351	\$	\$292,920
Accounts receivable-net	35,306	218,500	50,812		304,618
Delinquent taxes receivable	14,534				14,534
Due from other funds	125,266	16,000			141,266
Accrued interest income	49	305			354
Deferred charges	14,002	473			14,475
TOTAL CURRENT ASSETS	\$407,527	\$298,477	\$62,163	\$	\$768,167
NON-CURRENT ASSETS					
Restricted cash	103,226				103,226
TOTAL NON-CURRENT ASSETS	103,226				103,226
TOTAL ASSETS	\$510,753	\$298,477	\$62,163	\$	\$871,393
LIABILITIES					
Current Liabilities					
Accounts payable	\$21,211	\$266,904	\$28,821	\$	\$316,936
Accrued wages/taxes	15,263				15,263
Due to other funds	16,000				16,000
TOTAL CURRENT LIABILITIES	\$52,474	\$266,904	\$28,821	\$	\$348,199
TOTAL LIABILITIES	\$52,474	\$266,904	\$28,821	\$	\$348,199
FUND BALANCES					
Reserved	194,940				194,940
Unreserved	263,339	31,573	33,342		328,254
TOTAL FUND BALANCES	\$458,279	\$31,573	\$33,342	\$	\$523,194
TOTAL LIABILITIES AND FUND BALANCES	\$510,753	\$298,477	\$62,163	\$	\$871,393

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances for Governmental Funds	\$523,194
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation:	760,281
Long-term liabilities, compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	(68,976)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$1,214,499

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Fire Funds</u>	<u>Ambulance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	\$287,743	\$	\$	\$	\$287,743
Other taxes	29,809				29,809
Tax administrative fees	12,180				12,180
Federal shared revenues	30,881	218,500			249,381
State shared revenues	85,318			2,805	88,123
Charges for services	44,607		61,290	7,108	113,005
Interest	3,594	1,126			4,720
Donations			1,298		1,298
Other revenue	38,042	432	3,303		41,777
	<u>\$532,174</u>	<u>\$220,058</u>	<u>\$65,891</u>	<u>\$9,913</u>	<u>\$828,036</u>
EXPENDITURES					
Legislative	\$79,463	\$	\$	\$	\$79,463
General government	166,469				166,469
Public safety	100,185	283,165	41,606	8,483	433,439
Public works	70,888				70,888
Recreation and culture	4,950				4,950
Other	72,089				72,089
Debt service	16,024		9,324		25,348
	<u>\$510,068</u>	<u>\$283,165</u>	<u>\$50,930</u>	<u>\$8,483</u>	<u>\$852,646</u>
EXCESS OF REVENUES (EXPENDITURES)	22,106	(63,107)	14,961	1,430	(24,610)
OTHER FINANCING SOURCES (USES)					
Transfers to/from other funds	(34,570)	36,000		(1,430)	
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	<u>(\$12,464)</u>	<u>(\$27,107)</u>	<u>\$14,961</u>	<u>\$</u>	<u>(\$24,610)</u>
Fund Balance at 3/31/2005	470,743	58,680	18,381		547,804
FUND BALANCE 3/31/2006	<u>\$458,279</u>	<u>\$31,573</u>	<u>\$33,342</u>	<u>\$</u>	<u>\$523,194</u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2006

Continued

Reconciliation of the change in fund balances – Total Governmental Funds to the changes in net assets of governmental activities:

Net change in fund balances – Total Governmental Funds	(\$24,610)
--------------------------------------------------------	------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Additions:

Capital asset purchases capitalized	\$377,788
Depreciation expense	(52,336)

The issuance of long-term debt (loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from borrowing	(15,800)
Principal paid on long-term debt	26,459

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accumulated absences	(658)
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Change in Net Assets of Governmental Activities	<u>\$310,843</u>
-------------------------------------------------	------------------

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

March 31, 2006

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$185,335	\$76,102	\$261,437
Accounts receivable-net	12,024	12,525	24,549
Due from other funds	3,811	66,280	70,091
Accrued interest income		514	514
Deferred charges	3,324	2,786	6,110
Inventory (at cost)	5,129	317	5,446
Total Current Assets	\$209,623	\$158,524	\$368,147
RESTRICTED ASSETS:			
Cash	31,000	56,400	87,400
Total Restricted Assets	31,000	56,400	87,400
NONCURRENT ASSETS:			
Property, plant and equipment	1,428,460	2,462,899	3,891,359
Accumulated depreciation	(530,824)	(1,085,659)	(1,616,483)
Loan acquisition costs-net	5,310	3,917	9,227
Total Non-Current Assets	902,946	1,381,157	2,284,103
TOTAL ASSETS	\$1,143,569	\$1,596,081	\$2,739,650
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$662	\$8,460	\$9,122
Accrued wages/taxes	103	227	330
Accrued interest payable		2,117	2,117
Due to other funds	106,685	23,721	130,406
Customer deposits	10,191		10,191
Current maturity on long-term debt	6,000	9,000	15,000
Total Current Liabilities	\$123,641	\$43,525	\$167,166
LONG TERM LIABILITIES			
Revenue bonds payable	374,000	442,940	816,940
Less current maturity on long-term debt	(6,000)	(9,000)	(15,000)
Total long-term liabilities	368,000	433,940	801,940
TOTAL LIABILITIES	491,641	477,465	969,106
NET ASSETS:			
Investment in capital asset net of related debt	523,636	934,300	1,457,936
Unreserved	128,292	184,316	312,608
TOTAL NET ASSETS	\$651,928	\$1,118,616	\$1,770,544
TOTAL LIABILITIES AND NET ASSETS	\$1,143,569	\$1,596,081	\$2,739,650

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS TYPE
Year ended March 31, 2006

Business type Activities - Enterprise Funds			
	<u>Water Fund</u>	<u>Sewer Funds</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$73,501	\$73,357	\$146,858
Other revenues	2,021	850	2,871
Total Operating Revenues	\$75,522	\$74,207	\$149,729
Operating expenses:			
Wages and benefits	\$8,353	\$10,851	\$19,204
Contractual costs/repairs	946	12,601	13,547
Provision for depreciation/amortization	35,592	57,696	93,288
Operating supplies	1,740	1,171	2,911
Utilities	4,182	2,314	6,496
Insurance	6,412	5,456	11,868
Administration	1,069	1,402	2,471
Professional fees	1,200	1,200	2,400
Miscellaneous	239		239
Total Operating Expenses	\$59,733	\$92,691	\$152,424
Operating income (loss)	\$15,789	(\$18,484)	(\$2,695)
Non-operating revenues (expenses)			
Interest income	2,233	3,088	5,321
Interest expense	(22,491)	(25,811)	(48,302)
Net Income (loss) before Transfers	(\$20,258)	(\$22,723)	(\$42,981)
Change in Net Assets	(\$4,469)	(\$41,207)	(\$45,676)
Net Assets - March 31, 2005	656,397	1,159,823	1,816,220
NET ASSETS – MARCH 31, 2006	\$651,928	\$1,118,616	\$1,770,544

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS TYPES
 TOWNSHIP OF MARENISCO
 Year ended March 31, 2006

Business type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$168,752	\$30,014	\$198,766
Payments to employees and suppliers for goods and services	(23,748)	(26,598)	(50,346)
Net Cash Provided (Used) by Operating Activities	145,004	3,416	148,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of assets	(1,595)		(1,595)
Revenue bond principal/loans paid	(11,930)	(8,000)	(19,930)
Interest paid on bonds payable	(22,491)	(25,811)	(48,302)
Net Cash Provided (Used) for Capital and Related Financing Activities	(36,016)	(33,811)	(69,827)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	2,233	3,088	5,321
Net Cash Provided (Used) by Investing Activities	2,233	3,088	5,321
Net Increase (Decrease) in Cash	111,221	(27,307)	83,914
Cash and Cash Equivalents, March 31, 2005	105,114	159,809	264,923
CASH AND CASH EQUIVALENTS, March 31, 2006	\$216,335	\$132,502	\$348,837
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$15,789	(\$18,484)	(\$2,695)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization	35,592	57,696	93,288
Change in assets and liabilities:			
Accounts receivable	(1,349)	4,895	3,546
Due from other funds	(2,996)	(64,893)	(67,889)
Accrued interest income		(123)	(123)
Deferred charges	(1)	4	3
Inventory		180	180
Accounts payable	390	8,220	8,610
Accrued wages/taxes	3	177	180
Due to other funds	98,037	15,783	113,820
Accrued interest payable	(174)	(39)	(213)
Customer deposits	(287)		(287)
Net Cash Provided by Operating Activities	\$145,004	\$3,416	\$148,420

Noncash investing, capital and financing activities: None

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2006

Agency Funds			
	Tax Collection Fund	Pension Fund	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$115,905	\$54,354	\$170,259
TOTAL ASSETS	\$115,905	\$54,354	\$170,259
LIABILITIES			
Due to Township	\$64,950	\$	\$64,950
Due to County	50,955		50,955
TOTAL LIABILITIES	\$115,905	\$	\$115,905
NET ASSETS			
Held in trust for pension benefits		\$54,354	\$54,354
TOTAL NET ASSETS	\$	\$54,354	\$54,354
TOTAL LIABILITIES AND NET ASSETS	\$115,905	\$54,354	\$170,259

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION FUND
Year ended March 31, 2006

		Agency Funds
<hr/>		
	ADDITIONS	
Contributions		\$5,084
Interest income		5,789
	TOTAL ADDITIONS	<hr/> \$10,873
	DEDUCTIONS	
Benefits		<hr/> \$
Changes in Net Assets		10,873
Net Assets at Beginning of Year		<hr/> 43,481
Net Assets at End of Year		<hr/> <hr/> \$54,354

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Township of Marenisco operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. On this basis, the financial statements of volunteer fire associations are not included as component units in the financial statements of the Township. The volunteer women's fire department auxiliaries have been organized as a separate nonprofit entity.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is place on major funds within the governmental and proprietary categories. A fund is considered major if it's the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Pension Fund. These funds are custodial in nature and do not involve measurement of results of operations. The Pension Fund is a trust fund used to account for the accumulation of resources deposited into a defined contribution pension plan payable to retired employees. In March 2006, plan assets were transferred into a defined benefit plan. See Pension Note M.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and nonmajor funds as follows:

<u>Fund</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Fire	Account for two separate fire department operations.
3. Fire	Account for two separate fire department operations.
4. Water	Account for revenues and expenses of providing water services to the public.
5. Sewer	Account for revenues and expenses of providing sewer services to the public.
<u>NONMAJOR FUNDS</u>	
6. Liquor Law Enforcement	Account for enforcement of compliance with liquor law operations.
7. Building Inspection	Account for building inspection fees charged and related costs incurred.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end with the exception of Federal and State Shared revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note G for details of interfund transactions, including receivables and payable at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes; grant fund receivables; delinquent real property taxes; tax administrative fees and ambulance transport fees. With the exception of the ambulance transport fees, no allowance for uncollectible accounts has been recognized. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Delinquent account balances can be placed on tax rolls and can be a lien against real property, therefore, they are considered fully collectable.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Inventories

An inventory of Governmental Fund types operating supplies are considered to be immaterial and are not recognized, whereas, Proprietary Fund Types are valued at cost and inventory is taken at year end by a Township's employee.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with initial individual costs of \$1,500 in capital betterments and equipment additions. All fixed assets are valued at historical costs or estimated cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Capital assets for proprietary funds are recognized on assets costing over \$100 and with a useful life of over three years. The Township, in adopting GASB 34, elected to capitalize infrastructure improvements costing \$5,000 effective as of April 1, 2004 and subsequently.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Land	Not depreciated
Land improvements	20 Years
Buildings and improvements	40-50 Years
Utility Systems	40-50 Years
Equipment	5-10 Years
Vehicles	5-10 Years
Software	3 Years
Infrastructure (ROW)	19 Years

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation.

Restricted Assets

Proprietary Fund Types Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for repairs and maintenance of the utility systems. The Township has deposited monies to meet the minimal amounts required per covenants. The Governmental Fund has designated monies for future road/sidewalk improvements; recreation and future cemetery care.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payables; lease purchase agreements; lease commitments and accrued compensated absences. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for Major Funds - Special Revenue Funds (Fire and Ambulance Funds) were not available whereas, budgets are not required for the operations of the Proprietary Fund types.

Pension

The pension cost as reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets are recorded on a cash basis due to the late payment of contributions on current employees; potential liability of underfunded past service costs should the Township elect to continue with the MERS pension plans.

Fund Equity

The unreserved fund equity for governmental funds represents the amount available for budgeting future operations.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes are revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE B - CASH

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Township and the Township holds certificates of deposit which are recorded in the Township records at cost. Interest is recorded when the interest is accrued.

Following is a summary of the carrying amount of cash at March 31, 2006:

Cash deposited in banks insured by federal depository insurance	\$552,607
Cash on hand	68
Funds in excess of insurance limits	402,627
Less outstanding items	(40,060)
Total	<u>\$915,242</u>

Pension Trust Fund investments of \$54,354 were invested entirely in annuity contracts in accordance with State of Michigan statutes. Market value of \$54,354 as of March 31, 2006 approximates carrying value. The investments are not subject to categorization of credit risk.

NOTE C - RECEIVABLES

Accounts receivable and related allowances for uncollectible are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$49,839	\$	\$49,839
Water Fund	\$12,024	\$	\$12,024
Sewer Fund	\$12,525	\$	\$12,525
SRF-Ambulance Fund	\$89,026	\$38,214	\$50,812
SRF-Fire Funds	\$218,500	\$	\$218,500

General Fund - generally consists of delinquent tax monies; administrative fees; solid waste fees; State Shared Revenues and insurance reimbursements.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2006.

Customer billing for the month ended March 2006	\$15,587
Delinquent billings	<u>8,962</u>
Total	<u>\$24,549</u>

Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible.

Ambulance Fund- customer unpaid balances. Customer's billings are aged and after approximately one year, the collectible becomes remote. An allowance for doubtful accounts has been provided for.

Fire Fund – generally consist of Federal Shared revenues committed to the purchase of a fire truck. Since the Township order the vehicle during the fiscal year, the matching Federal shared is also being recognized.

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2005 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collected</u>
Real/Personal			
Property taxes:			
County	\$489,150	\$23,770	\$465,380
School/SET	650,369	16,032	634,337
Township	273,757	14,308	259,449
CFR	61,394	43	61,351
Delinquent utilities			
Totals:	<u>\$1,474,670</u>	<u>\$54,153</u>	<u>\$1,420,517</u>
Taxable Valuation			
Homestead	\$9,161,343		
Non-homestead	<u>25,061,614</u>		
Total	<u>\$34,222,957</u>		

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2005 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after yearend. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2006, which would require specific disclosure.

NOTE G - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2006, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General Fund-		Sewer Fund-	
Water Fund	\$46,893	General Fund	\$23,721
Tax Fund	54,652	Tax Fund-	
Sewer Fund	23,721	General Fund	54,652
Water Fund-		Sewer Fund	6,487
Tax	3,811	Water Fund	3,811
Sewer Fund-		Water Fund-	
Tax Fund	6,487	General Fund	46,893
Water Fund	59,793	Sewer Fund	59,793
SRF-Fire Fund		General Fund-	
General Fund	16,000	SRF-Fire Fund	16,000
TOTALS	<u>\$211,357</u>		<u>\$211,357</u>

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE H – CAPITAL ASSETS

A summary of changes in general fixed assets follow:

Governmental Activities	<u>Balance at March 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2006</u>
Capital Assets not Depreciated				
Land	\$57,865	\$	\$	\$57,865
Capital Assets being Depreciated				
Buildings and improvements	667,038			667,038
Vehicles	464,258	297,075		761,333
Equipment and furniture	155,731	36,633		192,364
Infrastructure-roads		44,080		44,080
	<u>\$1,344,892</u>	<u>\$377,788</u>	<u>\$</u>	<u>\$1,722,680</u>
Less Accumulated Depreciation	(910,063)	(52,336)		(962,399)
Net	<u>\$434,829</u>	<u>\$325,452</u>	<u>\$</u>	<u>\$760,281</u>

NOTE I - ENTERPRISE FUNDS – CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment follows:

Sewer Fund

Business-Type Activities	<u>Balance at March 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2006</u>
Capital Assets not Depreciated				
Land and land rights	\$20,000	\$	\$	\$20,000
Capital Assets being Depreciated				
Utility plant	2,097,027			2,097,027
Buildings and improvements	176,399			176,399
Equipment	169,473			169,473
Subtotals	<u>\$2,462,899</u>	<u>\$</u>	<u>\$</u>	<u>\$2,462,899</u>
Less Accumulated Depreciation	(1,028,140)	(57,519)		(1,085,659)
Net	<u>\$1,434,759</u>	<u>(\$57,519)</u>	<u>\$</u>	<u>\$1,377,240</u>

Depreciation is computed using the straight-line method.

Depreciation Expense 2005/2006 \$57,519

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

A summary of proprietary fund type property, plant and equipment follows:

Water Fund

Business-Type Activities	Balance at March 31, 2005	Additions	Deletions	Balance at March 31, 2006
Capital Assets not Depreciated				
Land and land rights	\$14,724	\$	\$	\$14,724
Capital Assets being Depreciated				
Land improvements	23,184			23,184
Utility plant	1,370,910			1,370,910
Equipment	18,047	1,595		19,642
Subtotals	\$1,426,865	\$1,595	\$	\$1,428,460
Less Accumulated Depreciation	(495,444)	(35,380)		(530,824)
Net	\$931,421	(\$33,785)	\$	\$897,636

Depreciation is computed using the straight-line method.

Depreciation Expense 2005/2006	\$35,380
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NOTE J – LIQUOR LICENSE REBATES

Liquor license monies totaling \$2,805 were received during the year and were transferred to the General Fund and used to support operations of the police department.

NOTE K – ACCOUNTS PAYABLE

The General Fund's accounts payable were for normal expenditures and pension liabilities. The Special Revenue Fund, Ambulance Fund, was for shared transport fees on clients transported and year end equipment purchase. The Special Revenue Fund, Fire Funds, include the cost of a fire truck ordered and not paid for at year end. The Proprietary Fund account payable balances were for normal expenditures at year-end and engineering fees.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE L – SUMMARY OF CHANGES IN LONG-TERM DEBT

A summary of the changes in the Township's long-term debt follows:

	<u>Balance at April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2006</u>
Sewage Disposal System				
Revenue Bonds	\$372,000	\$	\$7,000	\$365,000
Junior Lien Revenue Bond	78,940		1,000	77,940
Water System				
Revenue Bonds	380,000		6,000	374,000
Capital lease payables	44,362		11,459	32,903
Installment loan				
Payables	30,000	15,800	15,000	30,800
Accrued leave benefits	4,615	658		5,273
	\$909,917	\$16,458	\$40,459	\$885,916

ENTERPRISE FUNDS - REVENUE BONDS

Sewage Disposal System

The Township of Marenisco, Michigan adopted an ordinance on March 14, 1988, authorizing the issuance of a Sewage Disposal System Revenue Bond, dated March 1, 1988.

The bond consists of one single fully registered bond of \$419,000 and was purchased by Rural Economic and community Development Services. The bond bears an interest rate of 6% per year. Interest is payable on March 1, and September 1, and principal is payable each March 1 until maturity in the year 2028. Principal and interest are payable from the net revenues derived from operation of the sewage system.

At March 31, 2006, the bond principal and payments were current. The principal balance outstanding of \$365,000 is accounted for as a liability of the Waste Water Utility Fund.

Debt service charges until maturity are:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$7,000	\$21,900	\$28,900
2008	8,000	21,480	29,480
2009	9,000	21,000	30,000
2010	10,000	20,460	30,460
2011	11,000	19,860	30,860
2012	11,000	19,200	30,200

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$12,000	\$18,540	\$30,540
2014	13,000	17,820	30,820
2015	13,000	17,040	30,040
2016	14,000	16,260	30,260
2017	15,000	15,420	30,420
2018	16,000	14,520	30,520
2019	17,000	13,560	30,560
2020	18,000	12,540	30,540
2021	19,000	11,460	30,460
2022	20,000	10,320	30,320
2023	22,000	9,120	31,120
2024	23,000	7,800	30,800
2025	24,000	6,420	30,420
2026	26,000	4,980	30,980
2027	28,000	3,420	31,420
2028	29,000	1,740	30,740
	<u>\$365,000</u>	<u>\$304,860</u>	<u>\$669,860</u>

The Township of Marenisco, Michigan, adopted an ordinance on October 9, 1995, authorizing the issuance of a Sewage Disposal System Junior Lien Revenue Bond.

The bond consists of one single fully registered bond of \$88,000 and was purchased by Rural Economic and Community Development Services. The bond bears an interest rate of 4.5% per year. Interest is payable on March 1 and September 1, and principal is payable each September 1 until maturity in the year 2035. Principal and interest are payable from the net revenues derived from operation of the sewage system.

At March 31, 2006, the bond principal and interest payments were current. The principal balance of \$77,940 is accounted for as a liability of the Waste Water Utility Fund.

Debt service charges until maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$2,000	\$3,465	\$5,465
2008	2,000	3,375	5,375
2009	2,000	3,285	5,285
2010	2,000	3,195	5,195
2011	2,000	3,105	5,105
2012	2,000	3,015	5,015

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2,000	2,925	4,925
2014	2,000	2,835	4,835
2015	2,000	2,745	4,745
2016	2,000	2,655	4,655
2017	2,000	2,565	4,565
2018	2,000	2,475	4,475
2019	3,000	2,363	5,363
2020	3,000	2,227	5,227
2021	3,000	2,092	5,092
2022	3,000	1,958	4,958
2023	3,000	1,823	4,823
2024	3,000	1,687	4,687
2025	3,000	1,553	4,553
2026	3,000	1,417	4,417
2027	3,000	1,283	4,283
2028	3,000	1,147	4,147
2029	3,000	1,012	4,012
2030	3,000	878	3,878
2031	3,000	743	3,743
2032	3,000	607	3,607
2033	3,000	473	3,473
2034	3,000	337	3,337
2035	3,000	203	3,203
2036	2,940	68	3,008
	<u>\$77,940</u>	<u>\$57,511</u>	<u>\$135,451</u>

Water System

The Township of Marenisco, Michigan adopted an ordinance on April 8, 1991, authorizing the issuance of a Water System Revenue Bond, dated April 30, 1991.

The bond consists of one single fully registered bond of \$435,000 and was purchased by Rural Economic and Community Development Services. The bonds bear an interest rate of 5.875% per year. Interest is payable on April 1 and October 1, and principal is payable each April 1 until maturity in the year 2032. Principal and interest are payable from the net revenues derived from operation of the water system.

At March 31, 2006, the bond principal and interest payments were current. The principal balance of \$374,000 is accounted for as a liability of the Water Utility Fund.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Debt service charges until maturity are:			
<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$6,000	\$22,149	\$28,149
2008	7,000	21,767	28,767
2009	7,000	21,356	28,356
2010	8,000	20,915	28,915
2011	8,000	20,445	28,445
2012	8,000	19,975	27,975
2013	9,000	19,476	28,476
2014	10,000	18,917	28,917
2015	10,000	18,330	28,330
2016	11,000	17,713	28,713
2017	12,000	17,037	29,037
2018	12,000	16,332	28,332
2019	13,000	15,598	28,598
2020	14,000	14,805	28,805
2021	15,000	13,953	28,953
2022	16,000	13,043	29,043
2023	17,000	12,073	29,073
2024	18,000	11,045	29,045
2025	20,000	9,929	29,929
2026	21,000	8,724	29,724
2027	22,000	7,461	29,461
2028	24,000	6,110	30,110
2029	25,000	4,671	29,671
2030	27,000	3,143	30,143
2031	29,000	1,498	30,498
2032	5,000	323	5,323
	<u>\$374,000</u>	<u>\$356,788</u>	<u>\$730,788</u>

CAPITAL LEASES

On February 15, 2003, the Township entered into an operating lease with Xerox Corporation for the use of a copier for a term of five years. The Township agreed to make monthly payments of \$301.82 for the term of five years.

A lease purchase agreement was entered into on October 31, 2003 with Oshkosh Capital in the acquisition of an ambulance. The agreement is secured by the ambulance and bears an interest rate of 4.05%. Payments are to be made in 5 annual installment of \$9,323.85 beginning in November 2004 plus accrued interest beginning on October 31, 2003. Minimum lease payments due on the above contracts are as follows:

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

<u>Year Ending March 31,</u>	<u>Ambulance Lease</u>		<u>Copier Lease</u>	<u>Totals</u>
	<u>Payments</u>	<u>Principal</u>		
2007	\$9,324	\$8,185	\$3,622	\$11,807
2008	9,324	8,548	3,621	12,169
2009	9,324	8,927		8,927
	\$27,972	\$25,660	\$7,243	\$32,903

INSTALLMENT LOANS

On October 29, 1996, the Township of Marenisco entered into an unsecured installment loan agreement with National City Bank – Michigan, for \$150,000 bearing an interest rate of 70% of the prime rate, to finance the construction of a fire hall. Payments are to be made in nine annual installments of \$15,000 plus accrued interest beginning on May 1, 1997, with the final installment of the unpaid principal due on May 1, 2006. Interest rate in effect at March 31, 2006 was 2.975%

A summary of initial agreed upon annual principal and interest requirements to maturity follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$15,000	\$893	\$15,893

On May 27, 2005, the Township entered into a business note in the purchase of a police vehicle with River Valley State Bank in the amount of \$15,800, bearing an interest rate of 3.25%, secured by the vehicle. Payments are to be made in two annual installments of \$8,293 due May 27, 2006, and one final payment of unpaid principal and accrued interest due on May 27, 2007.

A summary of the agreed upon payments of principal and interest are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$7,772	\$521	\$8,293
2008	8,028	261	8,289
	\$15,800	\$782	\$16,582

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS

March 31, 2006

COMPENSATED ABSENCES

The Township union agreement was updated November 1, 2005 to allow various leave benefits to three employees based upon years of service. The following description is provided to provide insight as to accrued leave benefits payable at year end.

Employees are entitled to:

Annual Leave

All full time employees shall be entitled to annual leave with pay computed at straight time rates based upon the following schedule:

After completion of 1 year	5 Days
After completion of 2 years	10 Days
After completion of 4 years	15 Days
After completion of 8 years	20 Days
After completion of 15 years	25 Days
After completion of 29 years, one (1) additional day per year to a maximum of 30 days.	

Employees are encouraged to take leave time within the year credited.

As of March 31, 2006, accrued annual leave benefits that are recognized in Governmental Activities Statement are \$1,694.

Personal Days

The full time employees may elect one of every five (5) vacation days to be used as a personal day. This allows the employee greater flexibility in scheduling a day off. As of March 31, 2006, the accrued personal day benefit outstanding and reflected in the Governmental Activities Statement are \$579.

Sick Leave

Every full-time employee shall be entitled to sick leave with full pay one eight (8) hour workday (computed at straight time) for each completed month of service. Unused sick leave may be accumulated to a maximum of two-hundred and sixty (260) days. If an employee has a minimum of ten (10) years of service to the Employer and said employee retires, the employee shall be paid the lesser of \$3,000 or the employees accumulated sick leave at 100% his/her prevailing rate of pay. Otherwise, no employee shall be entitled to be compensated for unused sick leave. The full amount of accrued sick pay accrued is \$14,719, whereas, only one employee has been employed with the Township over 10 years. As of March 31, 2006, the accrued sick leave benefits recognized in the Governmental Activities Statement are \$3,000. The accrued benefits for the Enterprise Funds are immaterial and are not recognized in the financial statements.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE M – EMPLOYEE RETIREMENT PLAN

Effective September 9, 1993, the Township adopted a defined contribution pension plan, administered by Prudential Investment Management Service LCC, which provides pension benefits for Township employees, not elected official, who have attained the age of 21 but are not more than 65 years old. Employees are eligible to participate after twelve months of service, retroactive to January 1, 1993, provided 1,000 hours of service are performed in each twelve-month period. The Township is required to contribute an amount equal to 10% of the employee's base salary each year. The Township's contribution for each employee and investment earnings allocated to the employee's account are fully vested after five years. Normal retirement age is 65 with no provision for an early retirement.

As of April 1, 2005, three employees were eligible to participate in the defined contribution plan. Contributions were paid to Prudential Investment Management for two employees from April 1st through October 30th in the amount of \$5,084. With the inception of the new union agreement, the Township enrolled in the Michigan Municipal Employee Retirement System (MERS) which covers the three union employees. The plan provides for employer's contributions based upon actuarial valuations. Delays were encountered in the transfer of employees vested benefits accounted for in the defined contribution plan not allowing for current contributions to be made. After year end, the Township was notified that their contribution rate to MERS would be 11.87% of gross wages for the three employees. Based upon the contribution rates for both plans, covering all three employees, the Township's liability for not contributing on a current basis is \$6,662.

Upon audit, unfunded past service cost in excess of \$50,000 was identified as a Township liability; whereas, the Township's plan administrator and others, were unaware of any assumed liabilities. The Township is in the process of reevaluating their admittance into the MERS plan due to the alleged non-disclosure of prior service costs and no contributions have been paid into the MERS plan since inception. No prior service costs (liability) are being presented in the Governmental Activities Statement due to the potential change of position by the Township Board. Further disclosures required under GASB Statement No. 25 and No.27 is not included due to lack of available information.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE N – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides water and sewage services through two enterprise funds. Segment information as of March 31, 2006, follows:

	Water Utility Fund	Sewer Utility Fund	<u>Totals</u>
Operating revenues	\$75,522	\$74,207	\$149,729
Depreciation/amortized expense	\$35,592	\$57,696	\$93,288
Operating income (loss)	\$15,789	(\$18,484)	(\$2,695)
Restrictive donations/grants	0	0	0
Operating transfers	0	0	0
Tax revenues	0	0	0
Increase (decrease) in			
Net Asset	(\$4,469)	(\$41,207)	(\$45,676)
Current capital contribution	0	0	0
Increase (decrease) in			
Fixed assets	\$1,595	0	\$1,595
Long-term debt payable			
from operating revenues	\$374,000	\$442,940	\$816,940
Net Assets			
Unreserved (deficit)	\$128,292	\$184,316	\$312,608

NOTE O – RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund, Special Revenue Funds and Enterprise Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

The Township has been notified of pending tax appeals which may require the Township to issue a refund for taxes collected for prior years. There are utility companies contesting their personal property tax valuations for prior tax years and their cases have not been heard. Management and its representatives are unable to evaluate whether an unfavorable outcome may occur and to what extent.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2006, will not materially affect the financial condition of the Township. Therefore, the General Fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

NOTE P – RESTRICTED FUND AND CASH BALANCES

The Township has designated the General Fund balance for various activities as follows:

Road repairs and improvements	\$192,450
Recreation equipment	585
Cemetery perpetual care	<u>1,905</u>
Totals	<u>\$194,940</u>

The General Fund has several restricted cash accounts with \$103,226 set aside towards fully funding the restricted fund balance. The Proprietary Funds have established and funded (\$87,400) various cash accounts in fulfilling various bond covenant agreements.

NOTE Q – LIMITED TAX GENERAL OBLIGATION

The Township is a member of the Gogebic Range Solid Waste Management Authority, which was created on August 6, 1987 by the Cities of Bessemer and Wakefield, and the Townships of Bessemer, Ironwood and Marenisco as a joint venture. The purpose of the Authority is to construct and operate a solid waste transfer station for its members, other municipalities and the general public. The Authority is organized in accordance with Act 233, Public Acts of Michigan as amended. The Authority operates under a board of directors comprised of members from the constituent municipalities.

The Authority operates independent from the member municipalities and is not considered a component unit of the Township. Separate financial statements of GRSWMA are available at the office of the GRSWMA, E5917 US 2, Ironwood, Michigan.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

A condensed summary of the GRSWMA activities as of June 30, 2005, is as follows:

Total Assets	<u>\$1,097,290</u>
Total Liabilities	<u>\$406,467</u>
Total Net Assets	<u>\$690,823</u>
Total Revenues	\$640,112
Total Expenditures	<u>674,149</u>
Decease in Net Assets	<u>(\$34,037)</u>
Total Authority debt is as follows:	
Current	\$82,567
Long-term	<u>323,900</u>
Total Debt	<u>\$406,467</u>

All GRSWMA debt is expected to be paid by the revenues of the Authority. As of June 30, 2005, the Authority issued and received \$354,900 in revenue bonds (Limited Tax General Obligation). The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation. The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory limitations on all taxable property within their boundaries to the extent to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available. Since inception, the Township has not been requested to assist the GRSWMA in making payments on the current bond issuance or prior issuances. Since the Authority has been able to fulfill their payment obligations with revenues charged its customers, no debt payment schedules are disclosed.

NOTE R- BUDGET AND BUDGETARY COMPLIANCE

In the body of the financial statements, the Township of Marenisco's actual expenditures exceeded budgeted funds resulting in cost overages per functional basis. PA 621 provides guidance in that whenever anticipated expenditures appear to be exceeding budgeted costs centers per function, a budget revision needs to be undertaken. Refer to page 49 to illustrate the Governmental Fund – General Fund. Furthermore, other major funds type formal budgets (pages 56 and 57) were not adopted as required.

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
MAJOR GOVERNMENTAL FUND - GENERAL FUND
For the Year ended March 31, 2006

	<u>Budgeted Amounts</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES				
Taxes	\$240,500	\$240,500	\$287,743	\$47,243
Other taxes	25,736	25,736	29,809	4,073
Tax administrative fees			12,180	12,180
Federal shared revenues	32,456	32,456	30,881	(1,575)
State shared revenues	105,000	105,000	85,318	(19,682)
Charges for services	42,200	42,200	44,607	2,407
Interest	4,500	4,500	3,594	(906)
Timber and property proceeds	3,000	3,000	22,242	19,242
Rental income	9,000	9,000	3,537	(5,463)
Other revenue	14,700	14,700	12,263	(2,437)
	<u>\$477,092</u>	<u>\$477,092</u>	<u>\$532,174</u>	<u>\$55,082</u>
EXPENDITURES				
Legislative	\$70,000	\$70,000	\$79,463	(\$9,463)
General government	124,200	124,200	166,469	(42,269)
Public safety	143,300	143,300	100,185	43,115
Public works	63,000	63,000	70,888	(7,888)
Recreation and culture	6,000	6,000	4,950	1,050
Other	67,892	67,892	72,089	(4,197)
Debt service	25,000	25,000	16,024	8,976
	<u>\$499,392</u>	<u>\$499,392</u>	<u>\$510,068</u>	<u>(\$10,676)</u>
EXCESS OF REVENUES (EXPENDITURES)	(22,300)	(22,300)	22,106	44,406
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds	(200)	(200)	(34,570)	(34,370)
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	(\$22,500)	(\$22,500)	(\$12,464)	\$10,036
Fund Balance at 3/31/2005	470,743	470,743	470,743	
FUND BALANCE MARCH 31, 2006	\$448,243	\$448,243	\$458,279	\$10,036

The accompanying notes are an integral part of the financial statements.

**OTHER FINANCIAL
INFORMATION**

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUND
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LEGISLATIVE				
Township Board:				
Salaries			\$13,043	
Office supplies			11,840	
Communications			2,597	
Professional fees			11,758	
Transportation			1,661	
Printing and publications			493	
Insurance			34,016	
Dues			1,043	
Miscellaneous			3,012	
Equipment				
TOTAL LEGISLATIVE	\$70,000	\$70,000	\$79,463	(\$9,463)
General Government:				
Supervisor:				
Salaries			\$9,090	
Per Diem			400	
Transportation			626	
Miscellaneous			101	
TOTAL SUPERVISOR	\$11,000	\$11,000	\$10,217	\$783
ELECTION	\$2,200	\$2,200	\$201	\$1,999
ATTORNEY	\$6,000	\$6,000	\$4,302	\$1,698

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUND
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2006				
	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Assessor:				
Contractual costs			\$13,000	
Office supplies			420	
Transportation			371	
TOTAL ASSESSOR	\$11,500	\$11,500	\$13,791	(\$2,291)
Clerk:				
Salary			\$5,520	
Office supplies			74	
Professional fees			5,200	
TOTAL CLERK	\$13,900	\$13,900	\$10,794	\$3,106
TOTAL BOARD OF REVIEW	\$500	\$500	\$748	(\$248)
Treasurer:				
Salary			\$7,324	
Per Diem			25	
Supplies/printing			3,506	
Transportation			1,514	
TOTAL TREASURER	\$11,600	\$11,600	\$12,369	(\$769)
TOTAL CEMETERY	\$1,500	\$1,500	\$1,008	\$492
Township Properties:				
Wages			\$49,901	
Fringe benefits			30,736	
Supplies			14,472	
Communications			1,274	
Utilities			12,863	
Repairs & maintenance			2,773	
Miscellaneous			1,020	
	\$66,000	\$66,000	\$113,039	(\$47,039)

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUND
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
TOTAL GENERAL GOVERNMENT	\$124,200	\$124,200	\$166,469	(\$42,269)
<hr/>				
Police:				
Wages			\$43,985	
Fringe benefits			4,592	
Supplies			2,853	
Transportation			7,954	
Communications			1,079	
Training			288	
Snowmobile grant expense			17,256	
Miscellaneous			567	
TOTAL POLICE PROTECTION	\$82,000	\$82,000	\$78,574	\$3,426
<hr/>				
Fire and Ambulance:				
Insurance			\$678	
Hydrant rental			9,556	
Repairs & maintenance			1,821	
Communications			2,904	
Utilities			6,554	
Miscellaneous			16	
TOTAL FIRE PROTECTION	\$53,000	\$53,000	\$21,529	\$31,471
<hr/>				
ZONING	\$8,300	\$8,300	\$82	\$8,218
<hr/>				
TOTAL PUBLIC SAFETY	\$143,300	\$143,300	\$100,185	\$43,115
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The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUND
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2006				
	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Public Works:				
Street & Roads				
Road improvements			\$44,080	
Repairs & maintenance			1,714	
	\$20,000	\$20,000	\$45,794	(\$25,794)
Street lights	\$8,000	\$8,000	\$8,172	(\$172)
Sanitation:				
Wages			\$7,603	
Operating supplies			2,342	
Disposal fees			6,977	
Total Sanitation	\$35,000	\$35,000	\$16,922	\$18,078
TOTAL PUBLIC WORKS	\$63,000	\$63,000	\$70,888	(\$7,888)
Recreation and Culture:				
Parks:				
Wages			\$3,716	
Supplies			240	
Repairs & maintenance			570	
Utilities			424	
TOTAL RECREATION & CULTURE	\$6,000	\$6,000	\$4,950	\$1,050
OTHER				
Payroll taxes	\$	\$	\$7,198	(\$7,198)
Capital outlay			41,745	(41,745)
Contributions	6,200	6,200	12,471	(6,271)
Economic development	10,000	10,000		10,000
Tax appeal refund			6,985	(6,985)
Lease payments			3,690	(3,690)
Contingency	51,692	51,692		51,692
TOTAL OTHER	\$67,892	\$67,892	\$72,089	(\$4,197)

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUND
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
DEBT SERVICE				
Principal			\$15,000	
Interest and fees			1,024	
TOTAL DEBT SERVICE	\$25,000	\$25,000	\$16,024	\$8,976
TOTAL EXPENDITURES	\$499,392	\$499,392	\$510,068	(\$10,676)
TRANSFERS TO OTHER FUNDS	\$	\$	\$36,000	(\$36,000)

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MAJOR FUND
FIRE FUNDS

Year ended March 31, 2006

Special Revenue Fund

BUDGETED AMOUNTS

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenues:				
Federal shared revenues	\$	\$	\$218,500	\$218,500
Interest income			1,126	1,126
Other income			432	432
	<u>\$</u>	<u>\$</u>	<u>\$220,058</u>	<u>\$220,058</u>
Expenditures:				
Contract costs	\$	\$	\$5,733	(\$5,733)
Operating supplies			4,889	(4,889)
Transportation			1,159	(1,159)
Insurance			996	(996)
Uniforms			980	(980)
Repairs & maintenance			2,011	(2,011)
Public safety equipment			266,785	(266,785)
Memberships & dues			219	(219)
Miscellaneous			393	(393)
	<u>\$</u>	<u>\$</u>	<u>\$283,165</u>	<u>(\$273,165)</u>
Excess of Revenues over (under) Expenditures			(63,107)	(63,107)
Other Financing Sources (Uses):				
Transfers from other funds			36,000	36,000
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses			(27,107)	(27,107)
Fund Balance 3/31/2005	58,680	58,680	58,680	
FUND BALANCE 3/31/2006	<u>\$58,680</u>	<u>\$58,680</u>	<u>\$31,573</u>	<u>(\$27,107)</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
MAJOR FUND
AMBULANCE FUND

Year ended March 31, 2006
Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Charges for services	\$	\$	\$61,290	\$61,290
Donations			1,298	1,298
Other			3,303	3,303
	\$	\$	\$65,891	\$65,891
Expenditures:				
Bad debt	\$	\$	\$12,827	(\$12,827)
Transport-contract cost			15,194	(15,194)
Communications			318	(318)
Operating supplies			2,203	(2,203)
Uniforms			541	(541)
Miscellaneous			326	(326)
Training			820	(820)
Equipment			9,377	(9,377)
Debt service:				
Principal			7,837	(7,837)
Interest			1,487	(1,487)
	\$	\$	\$50,930	(\$50,930)
Excess of Revenues over (under) Expenditures			14,961	14,961
Fund Balance 3/31/2005	18,381	18,381	18,381	
FUND BALANCE 3/31/2006	\$18,381	\$18,381	\$33,342	\$14,961

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET – GOVERNMENTAL FUNDS
NON-MAJOR FUNDS
TOWNSHIP OF MARENISCO

March 31, 2006
Special Revenue Funds

	<u>Liquor Law Enforcement</u>	<u>Building Inspections</u>	<u>Totals</u>
Assets:			
Cash in bank	\$	\$	\$
Accounts receivable			
Allowance for doubtful accounts			
Prepaid expenses			
Accrued interest income			
Total Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
Accounts payable	\$	\$	\$
Fund balance- unreserved			
Total Equity & Liabilities	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUNDS
NON-MAJOR FUNDS
TOWNSHIP OF MARENISCO

Year ended March 31, 2006

Special Revenue Funds

	<u>Liquor Law Enforcement</u>	<u>Building Inspections</u>	<u>Totals</u>
Revenues:			
State grants	\$2,805	\$	\$2,805
Charges for services		7,108	7,108
Total Revenues	\$2,805	\$7,108	\$9,913
Expenditures			
Public safety	\$	\$8,483	\$8,483
Miscellaneous			
Total Expenditures		8,483	8,483
Excess (Deficiency) of Revs over Expenditures	\$2,805	(\$1,375)	\$1,430
Other financing sources (use)- Operating Transfers	(2,805)	1,375	(1,430)
Excess (Deficiency) of Revenues and Other Financing Source Over Expenditures and Other Financing Use			
Fund balance 3/31/05			
Fund balance 3/31/06	\$	\$	\$

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
NON-MAJOR FUND - LIQUOR FUND

Year ended March 31, 2006

Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenues:				
State Shared Revenues	\$2,000	\$2,000	\$2,805	\$805
Interest income				
	<u>2,000</u>	<u>2,000</u>	<u>2,805</u>	<u>805</u>
Expenditures:				
Enforcement costs				
Excess of Revenues over (under) Expenditures	2,000	2,000	2,805	805
Other Financing Sources (Uses):				
Operating transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(2,805)</u>	<u>(805)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses				
Fund Balance 3/31/2005	\$	\$	\$	\$
FUND BALANCE 3/31/2006	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
NON-MAJOR FUND-BUILDING INSPECTION FUND

Year ended March 31, 2006

Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>			
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenues:				
Permit fees	\$5,000	\$5,000	\$7,108	\$2,108
Interest income				
	<u>5,000</u>	<u>5,000</u>	<u>7,108</u>	<u>2,108</u>
Expenditures:				
Enforcement costs	\$7,200	\$7,200	\$8,483	(\$1,283)
	<u>7,200</u>	<u>7,200</u>	<u>8,483</u>	<u>(1,283)</u>
Excess of Revenues over (under) Expenditures	(2,200)	(2,200)	(1,375)	825
Other Financing Sources (Uses):				
Operating transfers in (out)	<u>2,200</u>	<u>2,200</u>	<u>1,375</u>	<u>(825)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses				
Fund Balance 3/31/2005	\$	\$	\$	\$
FUND BALANCE 3/31/2006	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
Township of Marenisco
Marenisco, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Marenisco as of and for the year ended March 31, 2006, which collectively comprise the Township of Marenisco basic financial statements and have issued our report thereon dated September 28, 2006. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Marenisco's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit, we considered the Township of Marenisco's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements.

Reportable condition noted in our review is described as follows:

1. The Township did not reconcile their physical inventory to control records to ensure completeness and accuracy. The control records contain listed items which are believe no longer present or obsolete and should be adjusted for by the Township's Board. Without an updated listing, the Township cannot monitor its holdings against various types of losses nor can procure adequate insurance coverage.

The Township should implement procedures to accomplish the final reconciliation of physical counts to the accounting records and schedule such reviews and analysis at least annually.

2. The Township Board understated the beginning Fund Balances in preparing their annual General Fund budget. This information may have influence the Board, as well as, the general public in determining funding priorities. Furthermore, no budgets were adopted for various Special Revenue Funds as required. Also, our review noted cost overruns in various functional activities, which would have required the Board to amend their operating budget. Michigan Public Act 621 of 1978 provides guidance in preparing budget amendment in avoiding non-compliance.
3. Water, Sewer and rubbish monthly billings reports were not retained for audit purposes in verifying accounting postings as to all monies being deposited into the Water Fund and then payable to other funds. Apparently, monies collected on behalf of other funds and expenses being incurred by other funds were not reimbursed during the audit period, allowing for large interfund receivables and payables to be recognized.

The Township Treasurer should both allocate collections of water, sewer and rubbish billings and deposit those monies directly into the appropriate funds or to deposit into one account and timely transfer monies to the appropriate accounts. Expenditures paid from one fund to be reimbursed by another should be accomplished within a timely fashion, otherwise, financial reporting by fund types are misleading.

4. The Township accounting records for the various fire funds and the ambulance fund were not posted at the beginning of the audit field work. Furthermore, prior years adjusting entries were not posted to the different funds, nor all bank accounts were reconciled to accommodate an expedient audit.

We recommend that current years adjusting entries be promptly made allowing for current years funds to be posted in a complete fashion. Furthermore, the accounting records for the various fire and ambulance funds should be maintained at the Township Office to allow for records to be posted in a timely fashion.

5. The Township borrowed money from a local banking institution to accommodate the purchase of a police vehicle without securing the Department of Treasury approval in advance. State law does not provide for discretionary borrowing by a municipality without obtaining the advance approval of the State of Michigan.


We recommend that all future borrowings be coordinated with the Department of Treasury prior to executing any loan documents. The State of Michigan, Department of Treasury, discourages the practice of seeking financing independent of their office review and consent.

6. The Township Board elected to participate in a defined benefit plan administered by Michigan Municipal Employee Retirement System effective November 1, 2005. The Township was a past participant in a defined contribution plan which covered only union employees. During the transition, the transfer of plan assets was delayed and current year's billings were not received in a timely fashion to allow for contributions to be made on a current basis. Upon year end review, it was noted that over \$50,000 in past service costs were payable by the Township upon acceptance of the new pension plan. The Township's pension plan administrator and other officials apparently were unaware of such liability. The Township Board is reviewing its commitment to their employees and looking at the possibility of returning to a defined contribution plan.

Due to the annual reporting requirements required by the Internal Revenue Service and unfunded both, prior year's employer contributions and the potential of past service costs, the Board will need to act in the near future to avoid further problems.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no other matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses except as described above items 1 and 3. A separate letter was issued to management of Marenisco Township involving internal control matters over financial reporting that were not material weaknesses.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.


Roger J. Kolehmainen PC
Certified Public Accountant

September 28, 2005